Scarcity: The Trouble with Truffles

What is scarcity?

Why can a producer place the price so high for a scarce good?

Fill in details from the video below:

1. Scarcity of Truffles (Why are truffles so scarce?)
2. Price of Truffles (How much are they at different amounts? Why?)
3. Buyers and Sellers of Truffles (who are they?)
4. The Dark Side of the Truffle Market (What are some problems facing the truffle industry?)

After watching the video, answer the following questions by yourself.

1. Why are truffles so valuable?
2. What is the price per pound for truffles?
3. What is the incentive to a producer to use the Chinese truffles but not explicitly label their product as such?
4. What contributed to the scarcity of truffles?
5. If truffles could be mass-produced in a lab, what do you think would happen to the price?
6. Why do some restaurant owners continue to use truffles despite the increased cost and risk? What does the increased cost and risk do to their profits?

You and your shoulder partner are restaurant owners. You have the opportunity to start serving truffles on one of your most popular dishes. Consider the following questions:

* If you begin serving a past dish with truffles added on, will you keep your dish at the current price? Or will you raise your price? What affects might this have on your profits? On your customers?
* What are benefits of keeping your prices the same in the off-season even though you are spending more money to purchase the truffles? How would keeping pries the same affect your profit?
* What might happen if you raise your prices to compensate for the higher cost of using truffles? Could this affect your profit?
* What are the possible effects of removing truffles completely from your menu?

**How does scarcity affect buyers and sellers?**

Buyers Sellers